



United States Department of Agriculture
Food and Nutrition Service

Southeast Region

Reply to

Attn. of: CN 11-02

March 2, 2005

Subject: Policy Memorandum 226.08-06: Audit Requirements – Child and Adult Care Food Program (CACFP) Proprietary Title XIX and Title XX Institutions

To: All State Directors

Child and Adult Care Food Program
Southeast Region

This memorandum rescinds Policy 226.08-02, Revision 1, issued August 20, 1998. It re-issues in condensed form the information contained in the rescinded memorandum, with additions printed in **bold** type.

This is to advise that the Departmental regulation, 7 CFR Part 3052.210(e), addresses the audit requirements of for-profit subrecipients and supersedes the audit requirements established at 7 CFR 226.8(a) for CACFP Proprietary Title XIX and Title XX institutions:

"For-profit subrecipient. Since this part [7 CFR Part 3052] does not apply to for-profit subrecipients, the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. The contract with the for-profit subrecipient should describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the contract, and post-award audits."

Therefore, State agencies have the authority and responsibility for establishing audit policy for Proprietary Title XIX and Title XX institutions under their oversight with regard to any Federal funds received from USDA. However, any audit policy established by a State agency must not conflict with the authority of both the State agency and USDA to perform, or cause to be performed, audits, reviews, agreed-upon procedures, and other monitoring activities. Additionally, the institutions must comply with the audit requirements of all other Federal departments from which they receive funding.

State agencies are encouraged to continue to require audits of Proprietary Title XIX and Title XX institutions, and to choose a reasonable threshold, given the cost of the audits relative to the benefits. **A State agency may elect to cover some or all of the CACFP appropriate costs of an audit from CACFP one-percent audit funds. Or, a State agency may require that the proprietary institution obtain and fund the required audit. The pro-rata share of such audit costs are an allowable cost from program funds available to the institution.**

All State Directors

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Regardless of the decision made by the State agency with regard to audits of these select Proprietary Title XIX and Title XX institutions, the regulatory requirements of 226.6(l) with regard to reviews must be met.

If you have questions, please contact this office.

PEGGY FOUTS
Regional Director
Special Nutrition Programs